

March 15, 2010

AFT Michigan Retirees Update

The legislation that Governor Granholm has proposed to amend the school and state employees' retirement acts has been introduced in both the House and the Senate. The House bills are HB 5953 (Rep. Bill Rogers, R-Brighton), which affects school employees, and HB 5954 (Rep. Chuck Moss, R-Birmingham); their Senate counterparts are SB 1226 (Sen. Mark Jansen, R-Grand Rapids) for school employees and SB 1227 (Senator Jud Gilbert, R-Algonac). We mention the state employee bills at the same time because the two sets of legislation were modeled to have the same impact on school and state employees, with some minor differences in deadlines. The House bills were sent to the House Oversight and Investigations Committee, chaired by Representative Martin Griffin (D-Jackson), and the Senate bills were sent to the Senate Appropriations Committee. The House Oversight Committee has scheduled a hearing on the bills on Tuesday, March 16, and we are expecting the Senate Appropriations Committee to hear the bills during the same week. Yes, these bills are under discussion NOW!!

AFT Michigan strongly opposes these bills, which are presented as "reform" but actually simply transfer costs to current and future retirees, while reducing benefits for future retirees. Rising pension costs are not the fault of retirees or school employees, and so retirees and employees shouldn't be asked to pay for them. They reflect instead the recent plunge of the financial markets that affected all pension plans, the growth of management company charter schools that do not pay on their retirees, and the shift in our state's demographics that resulted in fewer K-12 students and an increased ratio to retired to active members. Very little of the increased costs were the result of increased medical costs for retirees. As retired members know, you have borne frequent cost shifts that kept retiree medical part of the "formula" stable until the most recent year, when there was a slight uptick.

Speaking broadly, in addition to the fact that the proposals overall will increase costs for active members and future retirees—whose retirement benefits will be reduced—one other major problem with the proposal is this: it increases and reduces benefits for members who have not only already been hired but also are VESTED members in the retirement system! The proposal will ask almost every member (all but the ones hired most recently) to pay an additional 3% of their salary into their pension. For "BASIC" plan members, they will for the first time have to pay 3% and get no new benefits in return.

From a retiree's perspective, creating such a gap between what you paid in and received and what you have received in benefits and what others will pay in and receive is politically dangerous. In the future, if there is a proposal to greatly diminish your retiree health benefits, how much sympathy are those that follow you likely to have? For example, if as under this legislation, school employees who did not retire before October 1 no longer have subsidized dental and vision benefits, how politically active are they likely to be if a future legislature tries to remove them from you?

All AFT Michigan retirees are urged to ask their state legislators to vote no on these bills, which are the slippery slope to reducing your own retiree health benefits! Call or email soon as there will be an effort to move these bills in the next couple of weeks!

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